



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB6714

by Rep. Cynthia Soto

SYNOPSIS AS INTRODUCED:

40 ILCS 5/22-101B
30 ILCS 805/8.32 new

If and only if Senate Bill 1920 of the 95th General Assembly becomes law, amends the Illinois Pension Code. In provisions concerning the health care benefits for retirees of the Chicago Transit Authority, provides that a retiree hired on or before September 5, 2001 who retires with 25 years or more of continuous service shall be eligible for retiree health care benefits upon retirement (formerly, retirees who retired prior to the effective date of Senate Bill 1920 with 25 years or more of continuous service or who retires within 90 days after that effective date or by January 1, 2009, whichever is later, with 25 years or more of continuous service were eligible). Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB095 22020 AMC 52290 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

A BILL FOR

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. If and only if Senate Bill 1920 of the 95th
5 General Assembly becomes law, the Illinois Pension Code is
6 amended by changing Section 22-101B as follows:

7 (40 ILCS 5/22-101B)

8 Sec. 22-101B. Health Care Benefits.

9 (a) The Chicago Transit Authority (hereinafter referred to
10 in this Section as the "Authority") shall take all actions
11 lawfully available to it to separate the funding of health care
12 benefits for retirees and their dependents and survivors from
13 the funding for its retirement system. The Authority shall
14 endeavor to achieve this separation as soon as possible, and in
15 any event no later than July 1, 2009.

16 (b) Effective 90 days after the effective date of this
17 amendatory Act of the 95th General Assembly, a Retiree Health
18 Care Trust is established for the purpose of providing health
19 care benefits to eligible retirees and their dependents and
20 survivors in accordance with the terms and conditions set forth
21 in this Section 22-101B. The Retiree Health Care Trust shall be
22 solely responsible for providing health care benefits to
23 eligible retirees and their dependents and survivors by no

1 later than July 1, 2009, but no earlier than January 1, 2009.

2 (1) The Board of Trustees shall consist of 7 members
3 appointed as follows: (i) 3 trustees shall be appointed by
4 the Chicago Transit Board; (ii) one trustee shall be
5 appointed by an organization representing the highest
6 number of Chicago Transit Authority participants; (iii)
7 one trustee shall be appointed by an organization
8 representing the second-highest number of Chicago Transit
9 Authority participants; (iv) one trustee shall be
10 appointed by the recognized coalition representatives of
11 participants who are not represented by an organization
12 with the highest or second-highest number of Chicago
13 Transit Authority participants; and (v) one trustee shall
14 be selected by the Regional Transportation Authority Board
15 of Directors, and the trustee shall be a professional
16 fiduciary who has experience in the area of collectively
17 bargained retiree health plans. Trustees shall serve until
18 a successor has been appointed and qualified, or until
19 resignation, death, incapacity, or disqualification.

20 Any person appointed as a trustee of the board shall
21 qualify by taking an oath of office that he or she will
22 diligently and honestly administer the affairs of the
23 system, and will not knowingly violate or willfully permit
24 the violation of any of the provisions of law applicable to
25 the Plan, including Sections 1-109, 1-109.1, 1-109.2,
26 1-110, 1-111, 1-114, and 1-115 of Article 1 of the Illinois

1 Pension Code.

2 Each trustee shall cast individual votes, and a
3 majority vote shall be final and binding upon all
4 interested parties, provided that the Board of Trustees may
5 require a supermajority vote with respect to the investment
6 of the assets of the Retiree Health Care Trust, and may set
7 forth that requirement in the trust agreement or by-laws of
8 the Board of Trustees. Each trustee shall have the rights,
9 privileges, authority and obligations as are usual and
10 customary for such fiduciaries.

11 (2) The Board of Trustees shall establish and
12 administer a health care benefit program for eligible
13 retirees and their dependents and survivors. The health
14 care benefit program for eligible retirees and their
15 dependents and survivors shall not contain any plan which
16 provides for more than 90% coverage for in-network services
17 or 70% coverage for out-of-network services after any
18 deductible has been paid.

19 (3) The Retiree Health Care Trust shall be administered
20 by the Board of Trustees according to the following
21 requirements:

22 (i) The Board of Trustees may cause amounts on
23 deposit in the Retiree Health Care Trust to be invested
24 in those investments that are permitted investments
25 for the investment of moneys held under any one or more
26 of the pension or retirement systems of the State, any

1 unit of local government or school district, or any
2 agency or instrumentality thereof. The Board, by a vote
3 of at least two-thirds of the trustees, may transfer
4 investment management to the Illinois State Board of
5 Investment, which is hereby authorized to manage these
6 investments when so requested by the Board of Trustees.

7 (ii) The Board of Trustees shall establish and
8 maintain an appropriate funding reserve level which
9 shall not be less than the amount of incurred and
10 unreported claims plus 12 months of expected claims and
11 administrative expenses.

12 (iii) The Board of Trustees shall make an annual
13 assessment of the funding levels of the Retiree Health
14 Care Trust and shall submit a report to the Auditor
15 General at least 90 days prior to the end of the fiscal
16 year. The report shall provide the following:

17 (A) the actuarial present value of projected
18 benefits expected to be paid to current and future
19 retirees and their dependents and survivors;

20 (B) the actuarial present value of projected
21 contributions and trust income plus assets;

22 (C) the reserve required by subsection
23 (b) (3) (ii); and

24 (D) an assessment of whether the actuarial
25 present value of projected benefits expected to be
26 paid to current and future retirees and their

1 dependents and survivors exceeds or is less than
2 the actuarial present value of projected
3 contributions and trust income plus assets in
4 excess of the reserve required by subsection
5 (b) (3) (ii).

6 If the actuarial present value of projected
7 benefits expected to be paid to current and future
8 retirees and their dependents and survivors exceeds
9 the actuarial present value of projected contributions
10 and trust income plus assets in excess of the reserve
11 required by subsection (b) (3) (ii), then the report
12 shall provide a plan of increases in employee, retiree,
13 dependent, or survivor contribution levels, decreases
14 in benefit levels, or both, which is projected to cure
15 the shortfall over a period of not more than 10 years.
16 If the actuarial present value of projected benefits
17 expected to be paid to current and future retirees and
18 their dependents and survivors is less than the
19 actuarial present value of projected contributions and
20 trust income plus assets in excess of the reserve
21 required by subsection (b) (3) (ii), then the report may
22 provide a plan of decreases in employee, retiree,
23 dependent, or survivor contribution levels, increases
24 in benefit levels, or both, to the extent of the
25 surplus.

26 (iv) The Auditor General shall review the report

1 and plan provided in subsection (b) (3) (iii) and issue a
2 determination within 90 days after receiving the
3 report and plan, with a copy of such determination
4 provided to the General Assembly and the Regional
5 Transportation Authority, as follows:

6 (A) In the event of a projected shortfall, if
7 the Auditor General determines that the
8 assumptions stated in the report are not
9 unreasonable in the aggregate and that the plan of
10 increases in employee, retiree, dependent, or
11 survivor contribution levels, decreases in benefit
12 levels, or both, is reasonably projected to cure
13 the shortfall over a period of not more than 10
14 years, then the Board of Trustees shall implement
15 the plan. If the Auditor General determines that
16 the assumptions stated in the report are
17 unreasonable in the aggregate, or that the plan of
18 increases in employee, retiree, dependent, or
19 survivor contribution levels, decreases in benefit
20 levels, or both, is not reasonably projected to
21 cure the shortfall over a period of not more than
22 10 years, then the Board of Trustees shall not
23 implement the plan, the Auditor General shall
24 explain the basis for such determination to the
25 Board of Trustees, and the Auditor General may make
26 recommendations as to an alternative report and

1 plan.

2 (B) In the event of a projected surplus, if the
3 Auditor General determines that the assumptions
4 stated in the report are not unreasonable in the
5 aggregate and that the plan of decreases in
6 employee, retiree, dependent, or survivor
7 contribution levels, increases in benefit levels,
8 or both, is not unreasonable in the aggregate, then
9 the Board of Trustees shall implement the plan. If
10 the Auditor General determines that the
11 assumptions stated in the report are unreasonable
12 in the aggregate, or that the plan of decreases in
13 employee, retiree, dependent, or survivor
14 contribution levels, increases in benefit levels,
15 or both, is unreasonable in the aggregate, then the
16 Board of Trustees shall not implement the plan, the
17 Auditor General shall explain the basis for such
18 determination to the Board of Trustees, and the
19 Auditor General may make recommendations as to an
20 alternative report and plan.

21 (C) The Board of Trustees shall submit an
22 alternative report and plan within 45 days after
23 receiving a rejection determination by the Auditor
24 General. A determination by the Auditor General on
25 any alternative report and plan submitted by the
26 Board of Trustees shall be made within 90 days

1 after receiving the alternative report and plan,
2 and shall be accepted or rejected according to the
3 requirements of this subsection (b)(3)(iv). The
4 Board of Trustees shall continue to submit
5 alternative reports and plans to the Auditor
6 General, as necessary, until a favorable
7 determination is made by the Auditor General.

8 (4) For any retiree who first retires effective on or
9 after January 18, 2008, to be eligible for retiree health
10 care benefits upon retirement, the retiree must be at least
11 55 years of age, retire with 10 or more years of continuous
12 service and satisfy the preconditions established by
13 Public Act 95-708 in addition to any rules or regulations
14 promulgated by the Board of Trustees. Notwithstanding the
15 foregoing, any retiree hired on or before September 5, 2001
16 who retires ~~who retired prior to the effective date of this~~
17 ~~amendatory Act with 25 years or more of continuous service,~~
18 ~~or who retires within 90 days after the effective date of~~
19 ~~this amendatory Act or by January 1, 2009, whichever is~~
20 ~~later,~~ with 25 years or more of continuous service, shall
21 be eligible for retiree health care benefits upon
22 retirement in accordance with any rules or regulations
23 adopted by the Board of Trustees. This paragraph (4) shall
24 not apply to a disability allowance.

25 (5) Effective January 1, 2009, the aggregate amount of
26 retiree, dependent and survivor contributions to the cost

1 of their health care benefits shall not exceed more than
2 45% of the total cost of such benefits. The Board of
3 Trustees shall have the discretion to provide different
4 contribution levels for retirees, dependents and survivors
5 based on their years of service, level of coverage or
6 Medicare eligibility, provided that the total contribution
7 from all retirees, dependents, and survivors shall be not
8 more than 45% of the total cost of such benefits. The term
9 "total cost of such benefits" for purposes of this
10 subsection shall be the total amount expended by the
11 retiree health benefit program in the prior plan year, as
12 calculated and certified in writing by the Retiree Health
13 Care Trust's enrolled actuary to be appointed and paid for
14 by the Board of Trustees.

15 (6) Effective January 18, 2008, all employees of the
16 Authority shall contribute to the Retiree Health Care Trust
17 in an amount not less than 3% of compensation.

18 (7) No earlier than January 1, 2009 and no later than
19 July 1, 2009 as the Retiree Health Care Trust becomes
20 solely responsible for providing health care benefits to
21 eligible retirees and their dependents and survivors in
22 accordance with subsection (b) of this Section 22-101B, the
23 Authority shall not have any obligation to provide health
24 care to current or future retirees and their dependents or
25 survivors. Employees, retirees, dependents, and survivors
26 who are required to make contributions to the Retiree

1 Health Care Trust shall make contributions at the level set
2 by the Board of Trustees pursuant to the requirements of
3 this Section 22-101B.

4 (Source: P.A. 95-708, eff. 1-18-08; 95SB1920enr.)

5 Section 90. The State Mandates Act is amended by adding
6 Section 8.32 as follows:

7 (30 ILCS 805/8.32 new)

8 Sec. 8.32. Exempt mandate. Notwithstanding Sections 6 and 8
9 of this Act, no reimbursement by the State is required for the
10 implementation of any mandate created by this amendatory Act of
11 the 95th General Assembly.

12 Section 99. Effective date. This Act takes effect upon
13 becoming law.